

EXHIBIT Y

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 29, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-7182

MERRILL LYNCH & CO., INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

13-2740599

(I.R.S. Employer Identification No.)

**4 World Financial Center,
New York, New York**

(Address of Principal Executive Offices)

10080

(Zip Code)

(212) 449-1000

Registrant's Telephone Number, Including Area Code:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ YES ☐ NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☒

Accelerated Filer ☐

Non-Accelerated Filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ YES ☒ NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

859,288,036 shares of Common Stock and 2,621,282 Exchangeable Shares as of the close of business on July 27, 2007. The Exchangeable Shares, which were issued by Merrill Lynch & Co., Canada Ltd. in connection with the merger with Midland Walwyn Inc., are exchangeable at any time into Common Stock on a one-for-one basis and entitle holders to dividend, voting, and other rights equivalent to Common Stock.

[Table of Contents](#)**Note 6. Securitization Transactions and Transactions with Special Purpose Entities (“SPEs”)****Securitizations**

In the normal course of business, Merrill Lynch securitizes: commercial and residential mortgage loans; municipal, government, and corporate bonds; and other types of financial assets. SPEs, often referred to as Variable Interest Entities, or VIEs, are often used when entering into or facilitating securitization transactions. Merrill Lynch’s involvement with SPEs used to securitize financial assets includes: structuring and/or establishing SPEs; selling assets to SPEs; managing or servicing assets held by SPEs; underwriting, distributing, and making loans to SPEs; making markets in securities issued by SPEs; engaging in derivative transactions with SPEs; owning notes or certificates issued by SPEs; and/or providing liquidity facilities and other guarantees to, or for the benefit of, SPEs.

Merrill Lynch securitized assets of approximately \$126.3 billion and \$62.8 billion for the six months ended June 29, 2007 and June 30, 2006, respectively. For the six months ended June 29, 2007 and June 30, 2006, Merrill Lynch received \$128.1 billion and \$63.2 billion, respectively, of proceeds, and other cash inflows, from securitization transactions, and recognized net securitization gains of \$206.5 million and \$169.5 million, respectively, in Merrill Lynch’s Condensed Consolidated Statements of Earnings.

For the first six months of 2007 and 2006, cash inflows from securitizations related to the following asset types:

(dollars in millions)

	Six Months Ended	
	June 29, 2007	June 30, 2006
Asset category		
Residential mortgage loans	\$ 81,172	\$ 42,704
Municipal bonds	36,588	9,770
Commercial loans and other	7,002	8,986
Corporate and government bonds	3,341	1,699
Total	\$ 128,103	\$ 63,159

Retained interests in securitized assets were approximately \$10.3 billion and \$6.8 billion at June 29, 2007 and December 29, 2006, respectively, which related primarily to residential mortgage loan and municipal bond securitization transactions. The majority of the retained interest balance consists of mortgage-backed securities that have quoted market prices. The majority of these retained interests include mortgage-backed securities that Merrill Lynch expects to sell to investors in the normal course of its underwriting activity and only a small portion of the retained interests represent residual interests from sub-prime mortgage securitizations.

The following table presents information on retained interests, excluding the offsetting benefit of financial instruments used to hedge risks, held by Merrill Lynch as of June 29, 2007 arising from Merrill Lynch’s residential mortgage loan, municipal bond and other securitization transactions. The

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pre-tax sensitivities of the current fair value of the retained interests to immediate 10% and 20% adverse changes in assumptions and parameters are also shown.

(dollars in millions)

	Residential Mortgage Loans	Municipal Bonds	Other
Retained interest amount	\$ 8,629	\$ 1,097	\$ 566
Weighted average credit losses (rate per annum)	1.8%	0.0%	0.7%
Range	0–8.4%	0.0%	0–3.5%
Impact on fair value of 10% adverse change	\$ (188)	\$ –	\$ (4)
Impact on fair value of 20% adverse change	\$ (372)	\$ –	\$ (7)
Weighted average discount rate	9.4%	3.9%	7.5%
Range	0–76.4%	3.2–8.4%	0–25.1%
Impact on fair value of 10% adverse change	\$ (309)	\$ (87)	\$ (9)
Impact on fair value of 20% adverse change	\$ (582)	\$ (156)	\$ (18)
Weighted average life (in years)	5.0	8.1	2.2
Range	0–29.6	0.3–12.5	0–9.7
Weighted average prepayment speed (CPR) ⁽¹⁾	23.4%	34.5%	38.2%
Range ⁽¹⁾	0–50.0%	10.8–38.6%	16.0–92.0%
Impact on fair value of 10% adverse change	\$ (180)	\$ –	\$ (2)
Impact on fair value of 20% adverse change	\$ (300)	\$ –	\$ (4)

CPR=Constant Prepayment Rate

(1) Relates to select securitization transactions where assets are prepayable.

The preceding sensitivity analysis is hypothetical and should be used with caution. In particular, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated independent of changes in any other assumption; in practice, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. Further, changes in fair value based on a 10% or 20% variation in an assumption or parameter generally cannot be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear. Also, the sensitivity analysis does not include the offsetting benefit of financial instruments that Merrill Lynch utilizes to hedge risks, including credit, interest rate, and prepayment risk, that are inherent in the retained interests. These hedging strategies are structured to take into consideration the hypothetical stress scenarios above such that they would be effective in principally offsetting Merrill Lynch's exposure to loss in the event these scenarios occur.

The weighted average assumptions and parameters used initially to value retained interests relating to securitizations that were still held by Merrill Lynch as of June 29, 2007 are as follows:

	Residential Mortgage Loans	Municipal Bonds	Other
Credit losses (rate per annum)	1.7%	0.0%	0.7%
Weighted average discount rate	9.1%	4.0%	7.3%
Weighted average life (in years)	5.1	6.7	2.8
Prepayment speed assumption (CPR) ⁽¹⁾	23.0%	9.0%	17.2%

CPR=Constant Prepayment Rate

(1) Relates to select securitization transactions where assets are prepayable.

For residential mortgage loan and other securitizations, the investors and the securitization trust generally have no recourse to Merrill Lynch's other assets for failure of mortgage holders to pay when

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due. See Note 12 to the Condensed Consolidated Financial Statements for information related to representations and warranties.

For municipal bond securitization SPEs, in the normal course of dealer market-making activities, Merrill Lynch acts as liquidity provider. Specifically, the holders of beneficial interests issued by municipal bond securitization SPEs have the right to tender their interests for purchase by Merrill Lynch on specified dates at a specified price. Beneficial interests that are tendered are then sold by Merrill Lynch to investors through a best efforts remarketing where Merrill Lynch is the remarketing agent. If the beneficial interests are not successfully remarketed, the holders of beneficial interests are paid from funds drawn under a standby liquidity letter of credit issued by Merrill Lynch.

In addition to standby letters of credit, Merrill Lynch also provides default protection or credit enhancement to investors in securities issued by certain municipal bond securitization SPEs. Interest and principal payments on beneficial interests issued by these SPEs are secured by a guarantee issued by Merrill Lynch. In the event that the issuer of the underlying municipal bond defaults on any payment of principal and/or interest when due, the payments on the bonds will be made to beneficial interest holders from an irrevocable guarantee by Merrill Lynch.

The maximum payout under these liquidity and default guarantees totaled \$47.9 billion and \$38.2 billion at June 29, 2007 and December 29, 2006, respectively. The fair value of the guarantees approximated \$57 million and \$16 million at June 29, 2007 and December 29, 2006, respectively, which is reflected in the Condensed Consolidated Balance Sheets. Of these arrangements, \$7.1 billion at June 29, 2007 and \$6.9 billion at December 29, 2006, represent agreements where the guarantees are provided to the SPE by a third-party financial intermediary and Merrill Lynch enters into a reimbursement agreement with the financial intermediary. In these arrangements, if the financial intermediary incurs losses, Merrill Lynch has up to one year to fund those losses. Additional information regarding these commitments is provided in Note 12 to the Condensed Consolidated Financial Statements and in Note 12 of the 2006 Annual Report.

The following table summarizes the total principal amounts outstanding and delinquencies of securitized financial assets held in SPE's, where Merrill Lynch holds retained interests, as of June 29, 2007 and December 29, 2006:

(dollars in millions)

	Residential Mortgage Loans	Municipal Bonds	Other
June 29, 2007			
Principal Amount Outstanding	\$ 175,161	\$ 21,304	\$ 20,023
Delinquencies	6,896	—	16
December 29, 2006			
Principal Amount Outstanding	\$ 124,795	\$ 18,986	\$ 33,024
Delinquencies	3,493	—	10

Net credit losses associated with securitized financial assets for the six months ended June 29, 2007 and June 30, 2006 approximated \$179 million and \$45 million, respectively.

Mortgage Servicing Rights

In connection with its residential mortgage business, Merrill Lynch may retain or acquire servicing rights associated with certain mortgage loans that are sold through its securitization activities. These

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loan sale transactions create assets referred to as mortgage servicing rights, or MSR, which are included within other assets on the Condensed Consolidated Balance Sheets.

In March 2006 the FASB issued SFAS No. 156, which amends SFAS No. 140, and requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. SFAS No. 156 also permits servicers to subsequently measure each separate class of servicing assets and liabilities at fair value rather than at the lower of amortized cost or market. Merrill Lynch adopted SFAS No. 156 on December 30, 2006. Merrill Lynch has not elected to subsequently fair value those MSR held as of the date of adoption or those MSR acquired or retained after December 30, 2006.

Retained MSR are initially recorded at fair value and subsequently amortized in proportion to and over the period of estimated future net servicing revenues. MSR are assessed for impairment, at a minimum, on a quarterly basis. Management's estimates of fair value of MSR are determined using the net discounted present value of future cash flows, which consists of projecting future servicing cash flows and discounting such cash flows using an appropriate risk-adjusted discount rate. These valuations require various assumptions, including future servicing fees, servicing costs, credit losses, discount rates and mortgage prepayment speeds. Due to subsequent changes in economic and market conditions, these assumptions can, and generally will, change from quarter to quarter.

Changes in Merrill Lynch's MSR balance are summarized below:

(dollars in millions)

	Carrying Value
Mortgage servicing rights, December 29, 2006 (fair value is \$164)	\$ 122
Additions ⁽¹⁾	450
Amortization	(127)
Valuation allowance adjustments	(1)
Other-than-temporary impairments	—
Mortgage servicing rights, June 29, 2007 (fair value is \$517)	\$ 444

(1) Includes MSR obtained in connection with the acquisition of First Franklin.

The amount of contractually specified revenues, which are included within managed accounts and other fee-based revenues in the Condensed Consolidated Statements of Earnings include:

(dollars in millions)

	For the Three Months Ended June 29, 2007	For the Six Months Ended June 29, 2007
Servicing fees	\$ 92	\$ 166
Ancillary and late fees	16	30
Total	\$ 108	\$ 196

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The following table presents Merrill Lynch's key assumptions used in measuring the fair value of MSR's at June 29, 2007 and the pre-tax sensitivity of the fair values to an immediate 10% and 20% adverse change in these assumptions:

(dollars in millions)

Fair value of capitalized MSR's	\$ 517
Weighted average prepayment speed (CPR)	30.9%
Impact of fair value of 10% adverse change	\$ (34)
Impact of fair value of 20% adverse change	\$ (54)
Weighted average discount rate	17.2%
Impact of fair value of 10% adverse change	\$ (10)
Impact of fair value of 20% adverse change	\$ (20)

The sensitivity analysis above is hypothetical and should be used with caution. In particular, the effect of a variation in a particular assumption on the fair value of MSR's is calculated independent of changes in any other assumption; in practice, changes in one factor may result in changes in another factor, which may magnify or counteract the sensitivities. Further changes in fair value based on a single variation in assumptions generally cannot be extrapolated because the relationship of the change in a single assumption to the change in fair value may not be linear.

Variable Interest Entities

FIN 46R requires an entity to consolidate a VIE if that enterprise has a variable interest that will absorb a majority of the variability of the VIE's expected losses, receive a majority of the variability of the VIE's expected residual returns, or both. QSPEs are a type of VIE that holds financial instruments and distributes cash flows to investors based on preset terms. QSPEs are commonly used in mortgage and other securitization transactions. In accordance with SFAS No. 140 and FIN 46R, Merrill Lynch does not consolidate QSPEs. Information regarding QSPEs can be found in the Securitization section of this Note and the Guarantees section in Note 12 to the Condensed Consolidated Financial Statements.

Where an entity is a significant variable interest holder, FIN 46R requires that entity to disclose its maximum exposure to loss as a result of its interest in the VIE. It should be noted that this measure does not reflect Merrill Lynch's estimate of the actual losses that could result from adverse changes because it does not reflect the economic hedges Merrill Lynch enters into to reduce its exposure.

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The following tables summarize Merrill Lynch's involvement with certain VIEs as of June 29, 2007 and December 29, 2006, respectively. The table below does not include information on QSPEs or those VIEs where Merrill Lynch is the primary beneficiary, and holds a majority of the voting interests in the entity.

(dollars in millions)

	Primary Beneficiary			Significant Variable Interest Holder		Other Involvement with VIEs	
	Total Asset Size ⁽⁴⁾	Net Asset Size ⁽⁵⁾	Recourse to Merrill Lynch ⁽⁶⁾	Total Asset Size ⁽⁴⁾	Maximum Exposure	Total Asset Size ⁽⁴⁾	Maximum Exposure
June 29, 2007							
Tax planning VIEs ⁽¹⁾	\$ 4,997	\$ 4,997	\$ —	\$ 483	\$ 15	\$ —	\$ —
Loan and real estate VIEs	4,547	3,698	—	285	220	—	—
Guaranteed and other funds ⁽²⁾	2,460	1,933	540	6,651	6,651	—	—
Credit linked note and other VIEs ⁽³⁾	1,056	1,053	—	—	—	35,975	1,390
December 29, 2006							
Tax planning VIEs ⁽¹⁾	\$ —	\$ —	\$ —	\$ 483	\$ 15	\$ —	\$ —
Loan and real estate VIEs	4,265	3,787	—	278	182	—	—
Guaranteed and other funds ⁽²⁾	2,476	1,913	564	6,156	6,142	—	—
Credit linked note and other VIEs ⁽³⁾	748	743	302	—	—	13,288	927

(1) The maximum exposure for tax planning VIEs reflects the fair value of investments in the VIEs and derivatives entered into with the VIEs, as well as the maximum exposure to loss associated with indemnifications made by Merrill Lynch to investors in the VIEs.

(2) The maximum exposure for guaranteed and other funds is the fair value of Merrill Lynch's investment, derivatives entered into with the VIEs if they are in an asset position and any recourse beyond the assets of the entity.

(3) The maximum exposure for Credit-linked note and other VIEs is the fair value of the derivatives entered into with the VIEs if they are in an asset position.

(4) This column reflects the total size of the assets held in the VIE.

(5) This column reflects the size of the assets held in the VIE after accounting for intercompany eliminations and any balance sheet netting of assets and liabilities as permitted by FIN 39.

(6) This column reflects the extent, if any, to which investors have recourse to Merrill Lynch beyond the assets held in the VIE.

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To the Board of Directors and Stockholders of Merrill Lynch & Co., Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of Merrill Lynch & Co., Inc. and subsidiaries ("Merrill Lynch") as of June 29, 2007, and the related condensed consolidated statements of earnings for the three-month and six-month periods ended June 29, 2007 and June 30, 2006, and of cash flows for the six-month periods ended June 29, 2007 and June 30, 2006. These interim financial statements are the responsibility of Merrill Lynch's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1, 3 and 14 to the condensed consolidated interim financial statements, in 2007 Merrill Lynch adopted Statement of Financial Accounting Standards No. 157, "*Fair Value Measurement*," Statement of Financial Accounting Standards No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*," and FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*."

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Merrill Lynch as of December 29, 2006, and the related consolidated statements of earnings, changes in stockholders' equity, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated February 26, 2007, we expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the change in accounting method in 2006 for share-based payments to conform to Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 29, 2006 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

New York, New York
August 3, 2007

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(1)

Global financial markets continued to rise during the second quarter of 2007. Major U.S. and European equity markets reached record highs in mid-June, before declining throughout the remainder of the quarter due to continued concern regarding the U.S. housing market, higher U.S. Treasury yields and increases in interest rates around the world. Emerging markets soared in the second quarter driven by healthy economies, strong corporate earnings and a declining U.S. dollar. The U.S. Federal Reserve System's Federal Open Market Committee left benchmark interest rates unchanged at 5.25%, where they have been since mid-2006. Long-term interest rates, as measured by the 10-year U.S. Treasury bond, ended the second quarter at 5.03%, up from 4.65% at the end of the first quarter of 2007.

Major U.S. equity indices ended the second quarter of 2007 in positive territory with the Dow Jones Industrial Average, the Nasdaq Composite and the Standard & Poor's 500 Index up by 9%, 8% and 6%, respectively.

International equity indices generally ended the quarter with positive results fueled primarily by emerging markets. In Europe, the Dow Jones Stoxx Index, the FTSE 100 Index and Frankfurt's DAX Index rose 7%, 5% and 16%, respectively. Asian equity markets were also up as Japan's Nikkei Stock Average, Hong Kong's Hang Seng and China's Shanghai Composite Index rose 5%, 10% and 20%, respectively, while India's Sensex rose 12%. In Latin America, Brazil's Bovespa Index was up 19%.

Equity trading dollar volumes on the New York Stock Exchange and on the Nasdaq increased sequentially in the second quarter. However, the number of shares traded on these exchanges was flat compared to the first quarter of 2007. Equity market volatility was mixed for the quarter. The S&P 500 volatility was up, as indicated by higher average levels for the Chicago Board Options Exchange SPX Volatility Index, while the Nasdaq 100 volatility was down, as indicated by lower average levels for the American Stock Exchange QQQ Volatility Index.

Second quarter global debt and equity underwriting volumes of \$2.2 trillion were up 2% sequentially and up 20% from the year-ago quarter. Global debt underwriting volumes of \$1.9 trillion were down 3% sequentially, but up 16% compared to the year-ago quarter, while global equity underwriting volumes of \$287 billion were up 62% sequentially and 50% compared to the year-ago quarter.

Merger and acquisition ("M&A") activity increased sharply during the quarter as the value of global announced deals was \$1.7 trillion, an increase of 48% sequentially and 82% from the year-ago quarter. However, global completed M&A activity was flat sequentially at \$937 billion, but up 28% from the year-ago quarter.

While the outlook for growth in most global businesses in which we operate remains strong, the challenging market conditions in certain credit markets that existed during the first half of 2007 have intensified in the beginning of the third quarter. Characteristics of this environment include increased volatility, wider credit spreads, reduced price transparency, lower levels of liquidity, and rating agency downgrades. These factors have impacted and may continue to impact the sub-prime mortgage market, including certain collateralized debt obligations (CDOs), as well as other structured credit products and components of the leveraged finance origination market. Merrill Lynch continues to be a major participant in these markets with risk exposures through cash positions, loans, derivatives and commitments. Given current market conditions, significant risk remains that could adversely impact these exposures and results of operations. We continue our disciplined risk management efforts to proactively execute market strategies to manage our overall portfolio of positions and exposures with respect to market, credit and liquidity risks.

(1) Debt and equity underwriting and merger and acquisition volumes were obtained from Dealogic.